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4 February 1957

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I. Political**1. USSR**

a. A still unconfirmed report reaching here indicated that a military conference of the Eastern Bloc was planned to take place in Moscow during the first half of February. The conference will be under the chairmanship of Marshal Zhukov and will be attended by the Marshals Sokolovski, Vasilovski, Konyev, Malinovski, the commanders of the Armed Forces of the Eastern Bloc, and a strong military delegation of Red China. The military attachées of the Soviet Union and the countries of the Eastern Bloc and the exponents of the Soviet military intelligence service abroad received order to be ready to participate in the conference on short notice. Subjects to be discussed at the conference include:

- (1) The coordination of tactical training of ground troops with regard to the employment of nuclear weapons.
- (2) The effects of overall strategic planning in connection with nuclear warfare.
- (3) Re-appraisal and reorganization of the Soviet and satellite military intelligence services in the Western World with the possible result of a coordination of all branches by a special committee headed by General Serov.

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b. He just resumed negotiations [redacted], according to an available report, initiate a "new phase of Soviet coexistence policy" and thus must possibly be considered as an indication for a renewed foreign-policy drive by Moscow.

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[redacted] Moscow trip and Bulganin's subsequent return visit to [redacted] may produce a number of concessions by the Soviet Union [redacted]

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[redacted] Although [redacted] expectations may be disappointed on that score, certain economic concessions may be made by the Soviets. Another report indicated that the Soviet Union plans to convene a world economy conference in Moscow in late spring and to invite the underdeveloped countries in addition to the satellites. The Western countries will also be at liberty to participate in this conference. Available reports indicate a certain stagnation of the Soviet efforts for an expansion of the Soviet sphere of influence in the Middle East. The trip which the delegation of the Supreme Soviet made [redacted] produced no positive results. Whether or not Zhukov's visit [redacted] will result in stronger Soviet influence on [redacted] policy cannot yet be seen.

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c. According to one report, the Soviet Union plans to make a rapprochement with Yugoslavia. Ponomarev and Furtseva received [redacted] from the Central Committee Presidium of the Communist Party of the Soviet Union to make a trip to Belgrade in order to bring about a conciliation with the Yugoslav Communist Party. Moscow demanded that Tito publicly reject any further military aid [redacted] and postpone his trip [redacted]. The report said that Vukmanović-Tempo and Ranković, the vice presidents of the executive council, advocate a rapprochement with Yugoslavia, while Kardelj is still opposed to Soviet influence. The Soviet Union isolate still more Yugoslavia in the Eastern Bloc, if Tito refuses to accept their conditions and made his trip [redacted].

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d. It was again confirmed that Moscow is seeking the establishment of a new blanket organization for the Communist Parties based on bilateral agreements between the individual Parties and the Communist Party of the Soviet Union. Delegates of the Communist Parties of Czechoslovakia [] also made statements to that effect as they were negotiating in Prague from 14 to 19 January 1957. A joint information agency not directly controlled by Moscow is planned to be established in Prague and to exercise advisory and coordinating functions. The two Communist Parties voiced fears that the Moscow party leaders may continue to make tactical maneuvers without taking into consideration the Western Communist Parties which they feel are working under quite different circumstances. These fears of the [] Czech Communist leaders were occasioned by the restrictive tendencies in the Soviet policy toward the Eastern Bloc countries and the Communist Parties in East and West, which are becoming increasingly apparent.

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2. Satellites and Yugoslavia

a. Although the outcome of the Polish elections gave the regime of Gomulka a definite backing toward the USSR, the situation of this regime, according to available reports, is still critical. Moscow reminded the Polish Government through its ambassador only one day after the election that the basis of trust between the Soviet Union and Poland would first have to be restored by a vigorous campaign against anti-Soviet popular feelings and by the prevention of additional incidents at Soviet military posts in Poland. Gomulka consequently has to continue to make conciliatory gestures to Moscow, as indicated, for example, by the campaign for an intensified cultural exchange between Poland and the Soviet Union. Gomulka's appeal to the Hungarian workers to give the Kadar Government every possible support follows the same line but aroused ill feelings by the population. The morale of the working masses will also not be improved by the fact that the establishment of additional workers' councils was stopped at the factories on the grounds that "this question" must first again be examined". []

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b. According to one report, the Hungarian Government sent out leading party functionaries and parliamentarians to investigate the moral of the population. Their reports indicated that the Hungarian people clearly refused to collaborate with the Kadar Government and the newly established Socialist Workers' Party. Following Soviet orders, Kadar reacted to this situation by stepping up his suppression measures. The persecution of Communists, particularly of writers and journalists who collaborated with Imre Nagy, which is presently under way, will soon be followed by the persecution of farmers who left collective farms. Large show trials are then planned to demonstrate the alleged collaboration between groups of the Hungarian revolution and their Western employers. Another report indicated that the government postponed the resumption of university courses for the third time to avoid demonstrations. Since Kadar expected a majority for the opposition, the elections which had been planned for the Central Labor Unions were also banned. The Parliament will convene only in the second half of February.

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c. A report stated that Bulgaria's ties to the Soviet Union became still stronger. At the beginning of 1957, new Soviet advisors wielding absolute powers were detached to all important ministries. Western press dispatches on disturbances at military posts, the report said, were an exaggeration. The wave of political demonstration which began to spread after the Hungarian rebellion was subsiding, since the oppositional elements were aware that they could do nothing against the army, police and militia. The influence of Tsch erwenkoff, the former Stalinist Prime Minister, who is now holding the office of First Deputy Prime Minister, again increased. Christozoff, the new chairman of the State Planning Commission, is one of his truest followers. Christozoff seeks to fight the mass unemployment by concluding contracts with the Soviet Union by the execution of wage orders and by the dispatch of Bulgarian seasonal workers to the Soviet Union. Bulgaria's relations with Yugoslavia reportedly were "still stagnant", with the two countries waiting for further development.

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d. According to one report, the Albanian Government is presently intensifying its efforts for the resumption of diplomatic relations [redacted] Radio Tirana made a friendly comment on the "heroic fight" [redacted]

[redacted] Albania is also [redacted] 25X1

allegedly prepared to make border corrections in favor of [redacted] The report said that the Soviet Union is supporting the Albanian efforts for the resumption of friendly relations [redacted] and offered its good offices. These Soviet-inspired Albanian efforts follow that Soviet political line of loosening [redacted] western ties which had repeatedly been mentioned in previous Uebersichts, since Yugoslavia is presently unreliable for that purpose because of her ideological differences with the USA, the newest Soviet offensive was made via Albania.

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e. Tito's efforts to overcome Yugoslavia's present isolation with the help of China failed, since, according to an available report, Chou En Lai stated that a Belgrade visit could not make any sense as long as Yugoslavia failed to join the Common Front against Imperialism. Under these circumstances, Yugoslavs restrict themselves to blunting their ideological differences with the Communist Party of the Soviet Union and leaving the question of Yugoslavia's international position undecided. Contradicting other information, [redacted]

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[redacted] This uncertainty is underscored by rumors according to which the Chief of State and Commander-in-Chief planned to leave his office as Secretary General of the party to Kardelj. Groups close to the party believe that Tito may make such a decision in connection with the party congress which will presumably be held in the summer of 1957.

3. Soviet Zone of Germany

a. (1) According to a reliable report, Ulbricht made the following comment on the political situation before the First Secretary of the SED District Headquarters on 14 January 1957:
"All Socialist countries are or were holding conferences in Moscow on the same problems we discussed with the Soviet Government in an effort clearly to define the camps of Capitalism and Socialism. Along with our friends in Moscow we established that the build-up of Socialism is possible only on the basis of Marxism and Leninism. We have also learned from many reports from our party friends living in Capitalist countries that the Western Powers are again pushing cold-war policies. The Imperialist countries want to unleash a new war. The Eisenhower Doctrine again poisoned the political situation."

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[redacted] The GDR must expect provocations by the Federal Government on the zonal border."

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- (2) Commenting on the tasks of the SED, Ulbricht stated that they had considerably to improve the ideological activities of the party and mass organizations to cover all strata of the population and particularly the youth and at the same time reinforce the NVA and provide for that army the most modern training, particularly in partisan warfare and street-fighting, on the basis of experiences made in Hungary. He also emphasized that they had to strengthen further the combat groups at factories and to train them in street-fighting, marksmanship and athletics.
- (3) Commenting on the Western disarmament and reunification proposals which were unacceptable for the Soviet Union, Ulbricht stated that the Soviets would not agree to any reunification without a complete withdrawal of all American Forces from Europe. He said that Moscow would soon come out with a new proposal on the establishment of a demilitarized zone in all of Germany. He added that, according to the agreements made in Moscow, the Soviet troops would stay in the zone as long as Western Forces were stationed in West Germany. He concluded that the troop pact was still under discussion.
- (4) Commenting on the economic situation of the GDR, Ulbricht stated 25X1 that the economic capacity of the Soviet Zone of Germany could probably not be increased in 1957, since because of Poland and Hungary the possibilities were limited for the Soviet Union to give aid. He stated that they would have to help themselves and would have to buy raw materials from the capitalist countries with the hard currency credits they received from Moscow. He continued that in an effort to put unification by contacts between [redacted] which he said represented the only possible way, they would have to employ not only the working classes but all strata of the population to build up Socialism. He insisted, however, that their economic planning could not be dropped and the introduction of complete self-administration of enterprises also was impossible, since it would lead to anarchy. He added that their slogan was "strengthening the existing democratic institutions and laws, securing state agencies and improving and reinforcing the NVA" rather than "reinforcing the GDR by further democratization".
- b. In the same speech, Ulbricht unexpectedly voiced sharp attacks against Poland, stating that the German Eastern territories had completely been neglected and that the GDR newspapers had carried incorrect information on that subject and had failed, for example, to report that all construction projects had for 11 years been suspended in these areas and that fields had not been cultivated and industries been allowed to come to a complete standstill. He pointed out, however, that no information on that situation must be carried by newspapers. These unfavorable comments, which were made for the first time in many years in Pankow, are in line with the present political view of Moscow as they exert pressure on Warsaw and thus demonstrate to Poland that Soviet backing is imperative for this country (reports even speak of a planned policy of "isolation" or even "encirclement" of Poland by Pankow). Ulbricht may also have realized that he had no attractive slogan for the population and may thus have tried to appeal to the nationalist feelings of the numerous resettlers from the Eastern territories living in the zone.
- c. Ulbricht also stated that the enlarged Central Committee Planary Session which is scheduled to take place on 30 January to 1 February 1957 will discuss the Moscow talks and the preparations of the local elections which will be held in the spring of 1957.

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4. Red China

a. Reappraising Chou En Lai's trip to the countries of the Eastern Bloc, a number of reports gave the following reasons for Chou's attitude toward Moscow and the satellite countries in Eastern Europe:

- (1) Chou wanted to overcome all differences with Moscow to secure Moscow's support for the policy of Red China in Asia. In reply to a question the Red Chinese Ambassador in Moscow stated after Chou's visit that the Soviet Union and Red China have such a large number of interests as to make it only natural for differences to come up. The Soviet Union, as well as Red China, is making every effort, however, to overcome all differences by friendly talks. This diplomat's statement may to some extent be correct.
- (2) The Soviet Union let it be known that the Soviets were prepared to help China become a nuclear power. These Soviet concessions further strengthen the Soviet-Red Chinese alliance.
- (3) Chou considered it necessary to bring Moscow and Warsaw together to avoid a further weakening of the Communist camp. Gomulka had assured in Warsaw that Poland would inevitably be lost to the Eastern Bloc if the Soviet and Czech consulates continued to interfere with Polish political affairs in favor of the Stalinists. Chou who was willing to present in Moscow the evidence he received from Gomulka said to Eastern Bloc diplomats accredited in Moscow that Gomulka was the only statesman able to overcome the particularly difficult situation in Poland along Marxist and Leninist lines and added that Peking would consequently support Gomulka.
- (4) Chou on the other hand stated that Communism was not as firmly established in the Satellite countries of the Eastern Bloc as had been thought by Peking. Chou concluded that a further strengthening of national Communist policies would endanger the interests of both Moscow and Peking, since Red China believed that she needed the backing of the Eastern Bloc for her policy in Asia.

A reliable report indicated that Peking considered Chou's Moscow trip a success. The results which Chou obtained and which showed to the world that Moscow is forced increasingly to take into consideration Peking's views even went beyond Peking's expectations (it must be remembered, however, that the current Soviet-Red Chinese economic talks are still under way). Since Chou's influence increased in Peking, the political line he follows will probably be continued even after a possible resignation of Mao Tse Tung which is now again considered a possibility

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b.

- c. Following up sharp anti-American campaigns by Peking and Moscow, North Vietnam some time ago started accusations against the USA that the Americans wanted to make South Vietnam a US bridgehead. It cannot at present be decided if this propaganda is to support the Soviet disarmament demand which goes by the slogan of "liquidating military bases on foreign soils" and which came up within the framework of the East-West disarmament talks or serves other purposes.

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II. Traffic

Yugoslavia

Railroading including operations, maintenance and new construction is extremely difficult in Yugoslavia because of the mountainous character of the country and particularly since the about 12,000 km of railroad net available are composed of a number of different and previously separate state railroads which do not easily make an organic whole and since about one fourth of this net has different narrow gauges and large areas have no railroad lines at all. Considerable war damage could also not yet be fully removed and locomotives and rolling stock are obsolete, not uniform and unable to come up to the requirements which have reached about 2½ times the volume of previous requirements since 1939 because of the progressing industrialization. (Only four percent more locomotives are presently available than in 1939 and only 20 percent more freight cars.) Lines and junctions are not in many cases up to modern standards. Considerable efforts have been made since the war to overcome these traffic difficulties. Most war damages were removed, about 2,000 km of lines were newly constructed or changed from narrow gauge to normal gauge and about 200 km were electrified.

a. Lines built after the war.

Savski Marov - Kumrovec (northwest of Zagreb)
Lupoglav - Stalijs (Istria)
Samac - Doboj - Sarajevo
Tuzla - Doboj - Banjaluka (Tuzla northeast of Banovici, partially converted from narrow gauge to normal gauge)
Podlugovi - Vares (north of Sarajevo, converted)
Sabac - Koviljace - Zvornik (west of Belgrade, converted partially)
Brcko - Banovici
Bihac - Knin (north of Split)
Niksic - Despotovac (southeast of Belgrade)
Skoplje - Tetovo - Gostivar (Southern Serbia)
Kursumlika - Pristina (north of Skoplje)

b. Important lines under construction.

By-passing lines for the Belgrade junction
Belgrade - Titograd - Bar (Adriatic port)
Knin - Zadar
Sarajevo - Ploce (converted to normal gauge)

c. Electrified lines

Rijeka - Drivenik (completed up to here) - Karlovac - Zagreb (under construction)
Rijeka - Pivka (completed)
Triest - Pivka - Rerek (completed) - Laibach (under construction)
Austrian border tunnel near Jesenice - Jesenice (completed) - Laibach (under construction)

Important lines were made able to carry more trains particularly as a result of improvements of the Belgrade, Zagreb and Vinkovic junctions. Since considerable funds have recently been made available for improvement of rolling stocks, the following locomotives and rolling stock are scheduled to be procured:

Up to 1960: 40 electric locomotives
Mostly imports: 40 diesel locomotives
50 diesel shunting locomotives

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50 diesel-drive trains
10 diesel-drive trains for narrow gauge

In 1957: 30 locomotives
20 rail busses
about 1,600 freight cars of large load capacity to be built in the country
100 freight cars and freight car undercarriages are scheduled to be bought each year.

Summing up, it may be stated that the Yugoslav railroad is still a serious handicap for the national economy in spite of all efforts made. It is to be expected that the railroad system of Yugoslavia like that of all other Eastern countries will scarcely be in a position to keep abreast with the further development of industries during the years ahead.

III. Economic

1. The decision on modification of the 1956/1960 Five-Year Plan by the Central Committee of the Communist Party of the Soviet Union on 24 December 1956

The decision on the modifications of the Five-Year Plan, according to a supplementary statement, was "dictated by the development". Its implementation was said to be "of vital importance for the Soviet Union". The form, as well as the circumstances under which the decision was made, clearly indicate that the impending modifications differ from the changes which had repeatedly been made in past years. Political aspects in addition to those of a merely technical nature became apparent this time.

2. The discussions about the question of the living standard of the population which developed after Stalin's death were continued after the removal of Malenkov and the beginning of the course initiated by Khrushchev in January 1955. They received new impetus from the events in Poland and Hungary. The Soviet Government is trying to evade the pressure resulting from these discussions and their possible consequences by promising a basic change in the planning system, thus to avoid that the discussion may come to the conclusion that any central planning and control of the economy is basically unsuited to promote the economic development of a country because of their innumerable inherent weaknesses. They also shifted the responsibility for the economic control from the level of the state and the party to lower-level agencies by delegating at an increased rate planning tasks to regional administrations and large enterprises and by increasing employment of experts in the planning machinery. They also try to make concessions in other fields (such as increase of social pensions and reduction of working hours) by increasing wages and promoting the construction of housing for private individuals, thus to avoid a decisively improved supply with consumer goods which would call for a basic change of course for years to come.
3. Since the present international situation also heavily taxes the Soviet economy and particularly the Soviet heavy industries which are seriously strained anyway, all available means and labor forces are planned to be concentrated on a small number of installations than had previously been planned in order to avoid a basic change of course which would be undesirable because of its consequences. The Soviet government evidently hopes to be able in this manner to carry out the program for the priority development of heavy industry to the extent previously planned in spite of some concessions to consumers and the continued armament effort. The Eastern development program which primarily concerns new constructions of new installations may, however, be adversely affected by planned cancellations of the construction of new installations and concentration on improvements or completion of existing plans.

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4. All the measures mentioned above must be viewed as real adjustments to the new situation which resulted from the economic set-backs suffered in the satellite countries. Only after some months will it be possible to judge whether their present form is final or not.

IV. Military

Soviet Zone of Germany

1. Although the reorganization and re-equipment of the NVA on the basis of the Soviet pattern have not yet been completed, the most substantial organizational changes were executed by the end of 1956. Two tank divisions, 3 mechanized divisions and two infantry divisions (or 2 mechanized divisions and 3 infantry divisions) were organized from the three mechanized and four infantry divisions of the former KVP. The total number of 7 divisions remained unchanged. Worthy of note is the increase of tank units, which are also emphasized by the Soviets. The number of artillery units was also increased to achieve more intensive fire power. The combat efficiency of NVA divisions consequently is higher than that of the former KVP divisions. An AAA division was activated to take care of air defense. Recruitment for the NVA, recently strongly emphasized the voluntary principle evidently because the Soviet-Zone Government is trying to improve the reliability of the Armed Forces. The NVA training continued to be pushed. Training of combat units was shifted from posts to drill grounds as early as mid-January as was done by the Soviets.
2. During the personnel exchange program of the Soviet forces in the zone, about one third of the entire personnel was replaced by recruits. The lowest annual combat readiness thus was reached in late 1956. The intensive greatly pushed winter training shows that the Soviets are making every effort to overcome this weakness as quickly as possible. Numerous units already practiced firing and river-crossing in January 1957. Rifle armies early started exercises at division level.

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